

HOGAN & HARTSON EX PARTE OR LATE FILED  
L.L.P.

DAVID L. SIERADZKI  
COUNSEL  
DIRECT DIAL (202) 637-6462  
INTERNET DS0@DC2.HHLAW.COM

March 30, 2000

COLUMBIA SQUARE  
555 THIRTEENTH STREET, NW  
WASHINGTON, DC 20004-1109  
TEL (202) 637-5600  
FAX (202) 637-5910

**BY HAND DELIVERY**

Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

ORIGINAL  
RECEIVED  
MAR 30 2000  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**Re: Applications for Transfer of Control of Qwest  
Communications International Inc. and U S WEST, Inc.,  
CC Docket No. 99-272**

Dear Ms. Salas:

I am writing on behalf of Qwest Communications International Inc. ("Qwest") to notify you of an *ex parte* presentation yesterday regarding the proceeding referred to above. R. Steven Davis, Senior Vice President, Government Affairs, Qwest; Linda Oliver and the undersigned of Hogan & Hartson L.L.P. on behalf of Qwest; Melissa Newman, Vice President, Regulatory Affairs, U S WEST, Inc. ("U S WEST"), and David Aschkinasi and John Rogness of U S WEST; William Lake of Wilmer Cutler & Pickering, on behalf of U S WEST; Kenneth L. Williams, Washington Representative of the Montana Power Company; and Charles Helein and Jonathan Marshlian, of The Helein Law Group, P.C., on behalf of Touch America, Inc. ("Touch America"); met with Robert Atkinson, Deputy Chief, Common Carrier Bureau; Michelle Carey, Chief, Policy and Program Planning Division, Common Carrier Bureau; Margaret Egler, Assistant Chief, Policy and Program Planning Division; William Kehoe, Chris Libertelli, and Henry Thaggert, of the Policy and Program Planning Division staff; and Michael Kende of the Office of Plans and Policy.

The purpose of the meeting was to provide further information regarding the divestiture to Touch America of Qwest's long distance business within the U S WEST region in connection with Qwest's merger with U S WEST. Representatives of the parties described the arrangements currently under discussion between Qwest and Touch America regarding transitional services that

No. of Copies rec'd 0+4  
List ABCDE

BRUSSELS BUDAPEST LONDON MOSCOW PARIS\* PRAGUE WARSAW

BALTIMORE, MD BETHESDA, MD COLORADO SPRINGS, CO DENVER, CO LOS ANGELES, CA McLEAN, VA

\*Affiliated Office

Magalie R. Salas  
March 30, 2000  
Page 2

Qwest will provide for a limited period of time to enable Touch America to assimilate the substantial growth in its customer and revenue base. These transitional services may include billing and collection, licensing of certain information systems, and arrangements for monitoring and maintenance of identified network facilities. Representatives of the parties also discussed marketing issues, and Qwest's plans to provide Internet services in-region in parallel with in-region interLATA transmission provided to customers by Touch America as the Global Service Provider ("GSP"), similar to the arrangements of other Bell operating company affiliates.

When Qwest and Touch America finalize their agreements covering the arrangements referred to above, copies of those agreements and a comprehensive description will be filed with the report required in *Qwest Communications International Inc. and U S WEST, Inc. Applications for Transfer of Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 99-272, Memorandum Opinion and Order, FCC 00-91 (released Mar. 10, 2000).

Qwest representatives also described certain past Qwest sales of Indefeasible Rights of Use ("IRUs") in lit fiber capacity to third parties, including some fiber with one or both ends in the U S WEST region. These IRU agreements conveyed permanent property ownership rights in such network facilities for the economic life of the facilities, and Qwest cannot unwind these final asset sales. Qwest's only continuing role is the provision of certain maintenance and repair services. It was also discussed that there is ample FCC precedent for treating such capacity IRUs as sales of network facilities, rather than telecommunications services.

Touch America representatives described the plans of the parent company, Montana Power Company, to divest its energy businesses and focus its efforts on the fast-growing communications business. They handed out materials summarizing these plans, copies of which are attached.

I am submitting herewith two copies of this notice to the Secretary, as required by the Commission's rules. Please return a date-stamped copy of the enclosed (copy provided).

HOGAN & HARTSON L.L.P.

Magalie R. Salas  
March 30, 2000  
Page 3

Please contact me if you have any questions.

Respectfully submitted,

A handwritten signature in cursive script, reading "David Sieradzki".

David L. Sieradzki  
Counsel for Qwest Communications  
Corporation

Enclosures

cc: Robert Atkinson  
Michelle Carey  
Margaret Egler  
Henry Thaggert  
Chris Libertelli  
William Kehoe  
Michael Kende  
Parties in CC Docket No. 99-272

## Montana Power Plans Divestiture For Telecom Focus

By JAMES P. MILLER

Staff Reporter of THE WALL STREET JOURNAL

Montana Power Co. unveiled a plan to sell its energy businesses and focus on its Touch America telecommunications unit, which has in recent years been the company's principal growth engine.

Earlier this year, the Butte, Mont., utility holding company disclosed that it was examining alternatives for separating the highly profitable telecom operation—widely considered the company's crown jewel—from its remaining businesses.

Montana Power had been thought by some observers to be leaning toward a spinoff of the telecom unit. Yesterday, however, Montana Power said directors had decided to divest the company of all the energy operations. That would leave Touch America the surviving entity owned by Montana Power shareholders.

Montana Power will seek buyers for its

interests in electricity and natural-gas transmission, coal mining, oil and natural-gas production, and independent power production. Proceeds will be "redeployed," the company said, to fund further expansion at Touch America.

A number of utilities have substantial investments in fiber-optic systems used in providing telephone, Internet service, data transmission and related services. Montana Power has invested more than \$250 million in its telecom network, making it among the largest such networks owned by an electric utility.

The unit's profits and growth potential far outstrip those of the utility operations. One utility analyst earlier this year called Montana Power "the poster child when you look at utilities with hidden gems."

The company previously retained investment banker Goldman Sachs & Co. to help weigh options. It didn't spell out what it was considering, but an official said "the market is looking for a separation solution, and that's what we're doing."

Earlier this month, Touch America agreed to pay \$200 million to acquire 250,000 telephone customers from rival Qwest Communications International Inc.; Qwest was obliged to shed those assets to complete its planned merger with U S West Inc. Touch

America offers long-distance and other retail phone services, but its specialty is in building and operating high-speed fiber-optic lines.

The company said Touch America's 12,000-mile fiber-optic network will total 18,000 miles by year end and will be 26,000 miles by the end of 2001.

The divestiture and refocusing plan is subject to approval by Montana Power stockholders, the company noted.

Montana Power's disclosure came after 4 p.m. when Montana Power was up 12.5 cents at \$59.875 in New York Stock Exchange composite trading.



The Montana Power Company

Company declares quarterly dividend

**Montana Power to Divest Energy Businesses,  
Company to Become Touch America**

Jerrold P. Pederson named vice chairman

Butte, MT (March 28, 2000) -- After careful review of options and strategies, The Montana Power Company (NYSE:MTP) announced today it will begin immediately the process of divesting the company's multiple energy businesses separating them from Montana Power's telecommunications unit, Touch America.

The energy businesses include Montana Power's electricity and natural gas transmission and distribution utilities; coal mining; oil and natural gas production, processing and marketing; and independent power production.

The company's board of directors made the divestiture decision today. Touch America will become the surviving company with its shares held directly by Montana Power shareholders. Shareholder approvals are required for the reorganization and the sale of the company's electric business.

The board also named, effective immediately, Jerrold P. Pederson, vice chairman and chief financial officer of Montana Power. Pederson, who was vice president and CFO, will have direct responsibility over the energy businesses in his new role, including the divestiture process.

Robert P. Gannon retains his position as chairman, president and chief executive officer of Montana Power and chairman and chief executive of Touch America, but in view of Pederson's increased responsibilities, Gannon will focus on telecom. Michael J. Meldahl remains president and chief operating officer of Touch America.

Perry Cole, vice president of corporate development, will have his responsibilities wholly directed to Touch America. He will report directly to Meldahl.

The company also declared a first-quarter dividend of 20 cents per share on common stock, payable May 1, 2000, to shareholders of record at the close of business April 7, 2000.

Regular dividends also were declared for all outstanding issues of preferred stock, payable May 1, 2000, to shareholders of record April 7, 2000.

In light of the board's decision today, future dividend policy will be influenced by what is appropriate for the company's continuing businesses.

"By divesting our energy businesses, we will sharpen our focus on our fast-growing telecommunications activities, while enabling our energy companies to grow, thrive and add value under new ownership," Gannon said. "We believe this separation will provide all corporate entities with the best opportunity for future growth.

"This strategic decision to divest was selected as the best course of action after extensive discussion at the board level and among senior policy officers. Expert outside business and financial advisors helped us with the analysis," Gannon said, adding separation provides the best balance and best outcome for repositioning Montana Power's businesses.

The board's decision was based on the following conclusions:

- Because energy and telecommunications are very different businesses, the company's present structure cannot meet the demands of both and ensure the full success of each one.
- The complete attention of the management team is needed in order to continue to aggressively grow Touch America's national fiber-optic and wireless networks, including increasing traffic and revenues and building brand awareness.
- In this fast-paced and rapidly-changing business climate, opportunities must be acted upon with urgency, requiring organizational structures that are focused and less complicated than Montana Power's present structure, and
- Finally, the realities of size and scale in energy and telecom cannot be ignored. As time goes on, without separation, the whole will be less than the sum of the parts, adversely affecting our employees, customers, communities, and shareholders.

Gannon continued, "We firmly expect the full value of the energy businesses will be realized through a divestiture

process, and that, once separated from telecommunications, these operations will achieve greater success. The energy businesses are in sound financial shape, have strong management structures, produce substantial earnings, and are well positioned in their respective markets."

The company will look to all qualified buyers, and when the board has determined the preferred course or courses of action, the company will make a public announcement. In evaluating potential purchasers, the company will examine a broad range of factors, including but not limited to, valuation, financial strength, operating experience, reputation for fair dealing with customers and employees, and the ability to finalize any transactions.

Gannon said that as the company proceeds with divestiture, it will work to make sure employees are treated fairly, as it did with the recent sale of its generation assets in Montana.

The capital received from the divestiture will be re-deployed to take advantage of Touch America's multiple telecommunications opportunities.

Touch America has a 12,000-mile fiber-optic network that will reach 18,000 miles by yearend 2000 and 26,000 miles by yearend 2001. The network is used for wholesale long-haul voice, data and image transmission as a carrier's carrier, as well as for Touch America's own direct connections to individuals and businesses through its wireless services, metropolitan fiber offerings, and private line, long-distance and Internet applications.

Gannon, who announced Pederson's promotion, said the management change will provide more corporate executive direction to the company's restructuring activities. "Initially, as vice chairman, Pederson will focus on guiding the divestiture of the company's energy businesses. He also will provide overall guidance to appropriate energy matters," Gannon said.

John D. (Jack) Haffey and Richard Cromer, executive vice presidents and chief operating officers of Montana Power's utility and energy companies respectively, will report to Pederson.

"Jerry is a 35-year veteran of Montana Power and has been a member of board for nearly seven years. He has played a significant role in developing and executing our corporate strategies, and he will continue to play a significant role with Touch America, as well," Gannon said. "With his experience

and personal qualities, those associated with Montana Power and Touch America can feel assured that the company will be successful in its restructuring efforts and future business plans."

Background:

Jerrold "Jerry" Pederson is a native of Billings, Montana. He graduated from Billings Central High School and attended Gonzaga University, where he received a Bachelor of Business Administration (B.B.A.) in accounting in 1964. He joined Montana Power Company March 8, 1965. While employed by MPC, Jerry has attended the University of Idaho Executives' Course (1980) and Harvard University Advanced Management Program (1994).

From Junior Auditor in 1965, he became Senior Auditor in 1969, named Tax Accountant in 1976, and promoted to Manager of General Accounting in 1979. He was promoted to Assistant Controller in 1980 and Controller in 1982. In May of 1990, he was named Vice President, Corporate Finance and Controller, and in 1991, Vice President and Chief Financial Officer. In July, 1993, Jerry was named to the MPC Board of Directors and in March 1996, Vice President, Chief Financial and Information Officer. He relinquished his CIO duties in 1999.

Forward-looking information is subject to risk and uncertainty. Portions of this document may constitute "forward-looking statements" as defined by federal law. Although the company believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Any such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Litigation Reform Act of 1995. Additional information about issues that could lead to material changes in performance is contained in the company's annual report on Form 10-K filed with the Securities and Exchange Commission.

---

[news & information](#) | [investor information](#) | [touch america](#) | [energy](#) | [community](#)  
[stock quote](#) | [communicate](#) | [energy choice](#) | [site map](#) | [site search](#) | [home](#)



## CERTIFICATE OF SERVICE

I, Cecelia Burnett, hereby certify that on this 30th day of March, 2000, copies of the foregoing "Ex Parte Notice" were served by hand delivery (where indicated) or by first class mail to the following:

Michael G. Jones  
Willkie Farr & Gallagher  
(Attorneys for McLeod USA  
Telecommunications Services)  
1155 21<sup>st</sup> Street, NW  
Suite 600  
Washington, DC 20036

Ruth Milkman  
Lawler, Metzger & Milkman  
(Attorneys for Allegiance Telecom, Inc.)  
1909 K Street, NW  
Suite 820  
Washington, DC 20006

Robert W. McCausland, Vice President  
Regulatory and Interconnection  
Allegiance Telecom, Inc.  
1950 Stemmons Freeway, Suite 3026  
Dallas, TX 75207-3118

Daniel M. Waggoner  
Gregory J. Kopta  
Robert S. Tanner  
Davis Wright Tremaine  
(Attorneys for Nextlink, ATGI, GST and  
Firstworld)  
1500 K Street., NW  
Suite 450  
Washington, DC 20005

R. Gerard Salemme  
Daniel Gonzalez  
Alaine Miller  
NEXTLINK  
1730 Rhode Island Ave., NW, Suite 1000  
Washington, DC 20036

Kath Thomas  
Advanced Telecom Group, Inc.  
100 Stony Point Road, Suite 130  
Santa Rosa, CA 95401

Brian D. Thomas  
Gary Yaquinto  
GST Telecommunications, Inc.  
4001 Main Street  
Vancouver, WA 98663

Victoria T. Aguilar  
First World Communications Inc.  
8390 E. Crescent Parkway, Suite 300  
Greenwood Village, CO 80111

Gary Slaiman  
Kristine Debry  
Swidler Berlin Shereff & Friedman  
(Attorneys for Ensure Responsible  
Billing)  
3000 K Street, NW  
Suite 300  
Washington, DC 20007

\*via hand delivery

James R. Scheltema  
Blumenfeld & Cohen  
(Attorneys for Rhythms Netconnections,  
Inc.)  
1625 Massachusetts Ave., NW  
Suite 300  
Washington, DC 20036

Jeffrey Blumenfeld  
Chief Legal Officer – General Counsel  
5933 S. Revere Parkway  
Englewood, CO 80112

Richard S. Becker  
James S. Finerfrock  
Richard S. Becker & Associates  
(Attorneys for TSR Wireless LLC)  
1915 Eye Street, Suite 800  
Washington, DC 20006

J. Carl Wilson  
Lisa B. Smith  
MCI WorldCom, Inc.  
1801 Pennsylvania Ave.  
Washington, DC 20006

Mark Rosenblum  
Roy Hoffinger  
Aryeh S. Friedman  
AT&T  
295 N. Maple Ave.  
Basking Ridge, NJ 07920

Thomas M. Koutsky  
Jason Oxman  
Covad Communications Company  
600 14<sup>th</sup> Street, NW, Suite 750  
Washington, DC 20005

Clay Deanhardt  
Covad Communications Company  
2330 Central Expressway, Building B  
Santa Clara, CA 05050

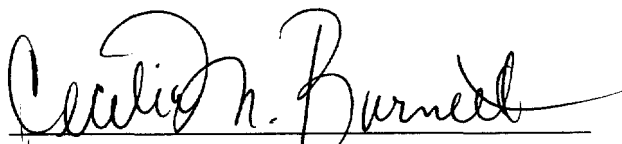
J. Richard Smith  
Craft Fridkin & Rhyne  
1100 One Main Plaza  
4435 Main Street  
Kansas City, MO 64111

Peter Froning, Executive Director  
New Mexico Rural Dev. Response Council  
Alvarado Square, Mail Stop 0402  
Albuquerque, NM 87158

John W. Mooty  
Gray, Plant, Mooty, Mooty & Bennett  
(Attorneys U S WEST Retiree Assoc.)  
3400 City Center  
33 South Sixth Street  
Minneapolis, MN 55402

Janice Myles\*  
Common Carrier Bureau  
Policy and Program Planning Division  
Federal Communications Commission  
445 Twelfth Street, SW, Room 5-C327  
Washington, DC 20554

ITS\*  
1231 20<sup>th</sup> Street  
Washington, DC 20554

  
Cecelia M. Burnett

\*via hand delivery